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April 22, 2008

## **AGENDA ITEM 3b**

### **TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** California Regional Health Information Organization Feasibility Study
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Committee: 1) endorse and support the RHIO concept in California; 2) instruct current CalPERS health plans to accept and pay CalRHIO claims charges, once the system is operational and information is accessed on behalf of a CalPERS member; and, 3) suggest that CalRHIO immediately engage in active dialogue with our health plans regarding the execution of agreements to participate in the system for their entire books-of-business.

### **IV. BACKGROUND:**

CalRHIO is a non-profit organization that is in the process of developing a statewide Health Information Exchange (HIE) system to facilitate the secure sharing of available patient clinical information across the California health care system. In November 2007, the Health Benefits Committee (HBC) expressed interest in the CalRHIO concept and requested staff to conduct further research on CalRHIO and report its findings. Staff contracted with Mercer to conduct the research. At the March 18, 2008 HBC meeting, Mercer presented the results of its study of CalRHIO. The report, titled *Review of CalRHIO Proposal*, found that "The RHIO concept is one that CalPERS should endorse and support to the extent feasible, within the State." The HBC requested staff to meet with CalRHIO representatives to work through issues raised by CalRHIO with respect to the Mercer report and provide a recommendation to the Committee at its April meeting.

### **V. ANALYSIS:**

On April 1, 2008, CalPERS staff met with representatives from CalRHIO, Mercer, Watson Wyatt, and Medicity (CalRHIO's technology partner) to discuss CalRHIO's issues, and clarify key points noted in the Mercer report. Participants

reached common understanding on many of the issues raised by CalRHIO. Participants all agreed on the implementation of Phase I of the development plan. Phase I consists of the creation of a health information exchange for emergency room physicians that provides statewide access to health plan claims data, California-based laboratory results and pharmacy information. CalRHIO also offered some new information not previously available during the Mercer study period.

Following are points of clarification from the meeting:

- The requirement for participating health plans to provide claims data to the system is flexible, and not necessary to trigger CalRHIO's financing.
- CalRHIO validated that it has established agreements with key pharmacy and lab data sources to populate the system with this information.
- The actual Return on Investment (ROI) from the system will vary throughout the development and implementation cycle of the different phases.

Additionally, staff requested CalPERS health plans to answer two questions:

- Can the health plan sign an agreement with CalRHIO based on defined terms that allow the transfer of CalPERS enrollees' health information as described in the CalRHIO proposal as well as accept associated transaction fees?
- If the health plan cannot sign an agreement with CalRHIO as stated above, why not?

Attached please find responses from Kaiser Permanente, Blue Shield and Blue Cross.

#### **V. STAFF RECOMMENDATION:**

CalPERS staff recommends the following with respect to the CalRHIO initiative:

1. Endorse and support the RHIO concept in California, and CalRHIO in particular, as representing a pathway to reduced medical errors and improved clinical outcomes for CalPERS members and all Californians.
2. Instruct our current CalPERS health plans to accept and pay CalRHIO claims charges, once the system is operational and information is accessed on behalf of a CalPERS member. (Based on the current CalRHIO timeline, we expect that this would commence sometime in the second-half of 2009.)
3. Suggest that CalRHIO immediately engage in active dialogue with our health plans regarding the execution of agreements to participate in the system for their entire books-of-business.

We suggest that the HBC request the following requirements of CalRHIO:

1. CalRHIO submit to CalPERS its health information exchange security and privacy protocols and policies for maintenance, access and management of member personal health information prior to Phase 1
2. All CalPERS high-volume California hospitals be included in Phase I of the CalRHIO development plan
3. The CalPERS commitment on fees for Phase I of the CalRHIO development plan be subject to review after the first three years of operation
4. The proposed CalRHIO claims charges remain at the currently proposed levels (\$25 for ER queries and \$10 for Doctor Office queries) for CalPERS members for the duration of the 3-year Phase I commitment
5. CalRHIO conduct an ROI study on the impact of the system at the end of year two and report back to CalPERS
6. CalRHIO provide semi-annual progress reports during the course of the 3-year commitment on key milestones in their development plan
7. CalRHIO provide a transparent annual report on the finances of the initiative, detailing income stream and expenditures

**V. STRATEGIC PLAN:**

This item supports Goal XII: “Engage and influence the health care marketplace to provide medical care that optimizes quality, access and cost.”

**VII. RESULTS/COSTS:**

When completed, a RHIO system could allow the real-time access to patient clinical data across providers when and where patients access care. Endorsement and support speeds the CalRHIO development efforts and leads to improved healthcare outcomes.

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Attachments